

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-56608; File No. SR-Phlx-2007-40)

October 3, 2007

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 3, Relating to the Definition of “Complex Trade”

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 21, 2007, the Philadelphia Stock Exchange, Inc. (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared substantially by the Phlx. The Exchange filed Amendment No. 1 to the proposal on September 4, 2007, and withdrew Amendment No. 1 on October 1, 2007. The Exchange filed Amendment Nos. 2 and 3 to the proposal on October 1, 2007, and withdrew Amendment No. 2 on the same day.³ The Commission is publishing this notice to solicit comments on the proposed rule change, as modified by Amendment No. 3, from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Phlx proposes to amend Phlx Rule 1066, “Certain Types of Orders Defined,” to revise the definition of “synthetic option,” and to amend Phlx Rule 1083(c) to change the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 3 replaces and supersedes the previously filed proposed rule change in its entirety.

definition of “Complex Trade” as it relates to the Plan for the Purpose of Creating and Operating an Intermarket Option Linkage (the “Linkage Plan”).⁴

The text of the proposed rule change is available at Phlx, the Commission’s Public Reference Room, and www.phlx.com.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Phlx included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Phlx has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is, first, to amend Phlx Rule 1066(g) by adopting a new definition of “synthetic option order” to address strategies for synthetic option orders that often require a delta neutral position among the various components of the synthetic option order instead of the current requirement that such components offset one another on a one-for-one basis. The proposed definition is consistent with the definition of “stock-option

⁴ On July 28, 2000, the Commission approved a national market system plan for the purpose of creating and operating the Linkage proposed by the American Stock Exchange LLC, Chicago Board Options Exchange, Incorporated, and International Securities Exchange, LLC (“ISE”). See Securities Exchange Act Release No. 43086 (July 28, 2000), 65 FR 48023 (August 4, 2000). Subsequently, Phlx, Pacific Exchange, Inc. (n/k/a NYSE Arca, Inc.), and Boston Stock Exchange, Inc. joined the Linkage Plan. See Securities Exchange Act Release Nos. 43573 (November 16, 2000), 65 FR 70851 (November 28, 2000); 43574 (November 16, 2000), 65 FR 70850 (November 28, 2000); and 49198 (February 5, 2004), 69 FR 7029 (February 12, 2004).

